



FISCAL MEMORANDUM

HB 493 - SB 671

March 3, 2023

SUMMARY OF BILL AS AMENDED (004391): Extends the annual nursing home assessment for FY23-24. Increases, from 4.75 percent to 6 percent, the amount of the net patient service revenue that the aggregated amount of assessments for all nursing facilities must total. Decreases, from 3 percent to 2.75 percent of net patient service revenue, the assessment rate for nursing homes with fewer than 50 beds, that are continuing care retirement communities, or that are certified only to provide Medicare skilled nursing facility services. Sets the assessment rate for hospitals that have 35,000 or more annual Medicaid patient days at 2.75 percent of net patient service revenue. Authorizes the Division of TennCare (Division) to modify the amount of the annual assessment for each nursing facility if such modification is necessary to comply with federal regulations regarding permissible health care-related taxes.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Revenue - \$163,173,500/FY23-24/
Nursing Home Assessment Trust Fund**

**Increase State Expenditures - \$163,173,500/FY23-24/
Nursing Home Assessment Trust Fund**

**Increase Federal Expenditures - \$309,587,700/FY23-24/
Nursing Home Assessment Trust Fund**

The Governor's proposed budget for FY23-24 includes \$135,925,200 in state funds and \$257,889,700 in federal funds for the Nursing Home Assessment on page A-32.

Assumptions for the bill as amended:

- Based on information provided by the Division, the assessment on nursing homes will result in an increase in state revenue to the Nursing Home Assessment Trust Fund of \$163,173,518 in FY23-24.
- Medicaid expenditures receive matching funds at a rate of 65.485 percent federal funds to 34.515 percent state funds.
- The \$163,173,518 will be expended at a state rate of approximately 34.515 percent; thus, prompting a one-time increase in federal expenditures at a federal match rate of

approximately 65.485 percent, equating to \$309,587,653 [(\$163,173,518 / 34.515%) x 65.485%].

- These funds will be placed in the Nursing Home Assessment Trust Fund instead of the General Fund, but will continue to be spent to reimburse nursing homes.
- The total increase to the Nursing Home Assessment Trust Fund in FY23-24 is approximately \$472,761,171 (\$163,173,518 + \$309,587,653).
- If the Division modifies the amount of the annual assessment for nursing facilities to comply with federal regulations, then the total amount of revenue and expenditures from such assessments will change; however, the timing and extent of any necessary modifications cannot be reasonably estimated.

IMPACT TO COMMERCE OF BILL AS AMENDED:

Increase Business Revenue – \$472,761,200/FY23-24

Increase Business Expenditures – \$472,761,200/FY23-24

Assumptions for the bill as amended:

- Nursing home providers will incur a one-time increase in revenue and a corresponding increase in expenditures in FY23-24 to cover costs of services provided.
- The proposed legislation will not increase the number of nursing home providers. Therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/ch